

NCREIF VALUATION COMMITTEE BULLETIN

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PROPERTY INSPECTIONS DURING THE COVID-19 CRISIS

As the COVID-19 crisis continues, appraisers and users of appraisal services have questions and concerns regarding how, and if, property inspections should be completed in the upcoming quarter, and potentially beyond. This Bulletin is intended to outline potential changes to property inspection requirements that would occur in the normal course of business, or under contractual appraiser/client agreements.

As of the date of this bulletin, state stay-at-home orders impact more than half of the U.S. population, and exceptions as to whether appraisers are exempt from these rules as an essential service provider vary by state and municipality. Further, the CDC Guidelines recommend suspending travel that is discretionary. In this context, appraisers and users of appraisers often ask if property inspections and/or the related travel for inspections is necessary or discretionary.

USPAP Compliance/ Guidance during a National Health Emergency

The Uniform Standards of Professional Appraisal Practice (USPAP), the generally accepted and recognized standards of appraisal practice in the United States, **does not specifically require a property inspection**, but one is often conducted as part of an appraisal assignment and when the appraiser deems it necessary to produce credible assignment results (Refer to USPAP Standards Rule 1-2, Standards Rule 2-2 and Advisory Opinion 2). The Appraisal Standards Board (ASB) does provide responses to frequently asked questions, and are contained in the USPAP 2020-2021 Edition, FAQs #189-194. USPAP Standards Rule 2-3, Certification, does require that the appraisal state if the appraiser did or did not inspect the subject property

On March 17, 2020, the ASB issued a response to whether interior inspections are required during a National Health Emergency, a copy of which follows this bulletin for reference. In summary, it states that an appraiser should communicate with their clients and follow public health recommendations, and national, state and local government orders. Clients are encouraged to suspend or relax requirements during a national health emergency.

Client Requirements

Since inspections are commonly required by clients as part of the scope of work, and thus become an assignment condition, the Scope of Work Rule in USPAP states that:

“An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use.”

Therefore, client-required inspections through the appraisal agreement can be modified or waived by the client, as long as the appraiser agrees that it is not necessary for the appraisal to be relied on.

In establishing potential changes to the appraisal inspection during the COVID-19 crisis, strong consideration should be given to the safety and wellbeing of appraisers, property managers, building occupants, and the public health in general. It is also important to recognize that in the current social distancing environment, many property managers and tenants have limited the access to their buildings. If modifications can be made to inspection requirements during the crisis that do not so limit the scope of work or result in a lack of credibility of the assignment results, in the opinion of both the client and the appraiser, those modifications should be strongly considered.

Modifications to a Property Inspection Requirement

Below are several possible modifications that could be made to inspection requirements during the COVID Crisis for an appraisal assignment. This is not intended to be the only options, just a sampling :

- 1) Waiving the inspection requirements (both interior and exterior)
- 2) Limit the inspection to a drive-by or exterior inspection
- 3) Allow for viewing (both interior and exterior) to be via photographs, video, streaming, etc., provided by management or ownership, although this may not be an “inspection” by definition.
- 4) Non-face to-face interviews with property management or others who have personal knowledge of the property’s condition
- 5) Deferring the inspection decision to later in the quarter before the final appraisal is submitted in order to reevaluate the public health recommendations.

In all cases above, the scope of work should be agreed upon by the client and the appraiser, and fully disclosed in the appraisal report

Reporting Requirements

Communication between the client and the appraiser is paramount, and the health and safety of all those impacted by inspections should be strongly considered. Any changes to the scope of the assignment must not have a material impact on the credibility of the results in the opinion of the appraiser. The scope of the assignment, and in particular any change of scope which would differ from the normal course of business, must be fully disclosed in the report. This may require an appraiser to make an extraordinary assumption concerning the steps made to ensure a credible conclusion.